3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

buy freely in the cheapest market. The main purpose of the counterpart funds allotted to the development and modernization of mines and refineries, therefore, has been to save foreign exchange, with the possibility of increasing the exports of finished products as a secondary incentive.

The railways have always played a part of special significance in the Austrian Republic's economy. When the Habsburg Empire fell apart, Vienna remained an important centre of communications linking up Western Europe with the Succession States and the Balkans. Between the Wars the international transit services carried out by the Austrian railways between East and West, and North and South, were an important source of national revenue. After the tourist industry they were the main means on which Austria relied to reduce her trade deficit.

After the Second World War the amount of transit traffic through Austria fell off considerably for two main reasons. In the first place, there was a sharp decline in trade and travel between the Iron Curtain countries and the West. Secondly, war damage, lack of coal, wholesale confiscation of rolling-stock by the Russians, and the failure of Hungary and other satellite countries to return trucks sent across the border seriously reduced the efficiency of the services the Austrian railways could offer. Traffic between Switzerland, on the one hand, and Poland and Czechoslovakia, on the other, was diverted from Austria to Germany.

The Austrian railways have come in for a good deal of criticism since the War, and from a first glance at their annual balance-sheets the criticisms appear to be justified. A series of losses culminated in a deficit of approximately one and a half billion schillings in 1951, which meant that every Austrian would have to pay about 200 schillings to make up the deficiency. Yet a superficial judgement in this case is unfair. The railways unquestionably required to be reorganized and rationalized. But, apart from the losses and damage resulting from the War, they were suffering from a number of adverse circumstances that were not always taken into account.

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Russia EK1

The German authorities raised the number of employees to over 100,000 during the War, compared with 57,000 in 1937, and owing to the difficult conditions of the immediate post-War years, this excessive figure was only slowly reduced. By 1950 it was down to about 80,000, but only at the expense of increasing the number of pensioners, who in that year actually exceeded the employees by nearly 4,000. This disproportionate burden in respect of pensions, which accounted for nearly a third of the budget, was due to the political changes both in 1945 and 1918, no less than 15,000 of the pensioners being German-speaking employees who were dismissed when the Habsburg Empire broke up.

The railways also suffered from the competition of road, river, and air transport, all of which were in receipt of large, mostly concealed subsidies in the form of road construction and repairs and the building and maintenance of wharves and aerodromes. The rivalry of road vehicles was particularly severe, the number of lorries and trailers in the autumn of 1949 exceeding the 1937 figures by nearly 300 and 900 per cent respectively.

A third factor that contributed to the heavy deficit was the comparatively small increase in fares that had occurred since before the War. In the summer of 1951 the passenger and freight fares were only 195 per cent and 285 per cent of the 1937 figures, whereas the rise in the general price level amounted to about 700 per cent. As the railways were subsidized directly, and road transport indirectly, in neither case was the principle respected that those who use transport services should pay for them.

In spite of the serious position of the Austrian railways after the War, they remained by far the greatest single economic enterprise in the country, and their potential contribution to the balance of trade in happier times was considerable. A substantial allocation was therefore made to them from counterpart funds. It was to be used for two main purposes: to repair war damage and to extend electrification. The electrification programme of the between-War period had resulted in 990

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

kilometres of track being electrified and in the annual saving of 300,000 tons of hard coal. The new programme worked out under the stimulus of ERP aid would mean saving a further 700,000 tons of imported coal. Quite apart, therefore, from the possibility of recovering transit traffic in the future, the new developments would lead to a substantial economy in foreign exchange.

In 1936–7 about 80 per cent of Austria's trade deficit had been covered by the earnings of the tourist industry. After the War some years were to elapse before the number of foreign visitors approached the pre-War figure. There were several reasons for this. The total war damage suffered by the industry was estimated at 270 million schillings in terms of 1937 prices and at about 1,500 million schillings with the schilling at its 1950 value. Out of 200,000 beds available for tourists in 1937, 80,000 were lost, of which half had been suitable for foreign visitors. Accommodation for a further 30,000 was requisitioned by the occupying Powers in the early post-War years. In addition, serious obstacles were presented by the food shortage and the difficulty of obtaining passes for entering the country and for crossing the zonal boundaries.

Efforts were made both by the Austrians and the Western Allies to establish the conditions necessary for the revival of the industry. In October 1946 an Austrian organization was established for this purpose. In 1947 arrangements were made by which food was purchased abroad in order to provide foreign tourists with rations on a basis of 4,600 calories a day without depleting the limited Austrian supplies. The following year the Austrian Government was made responsible for the issue of visas to intending visitors, and the visitors, once in the country, were free to move about between the different zones. Yet, in spite of these measures, progress was slow. In 1947–8 the volume of foreign tourists, measured both in numbers and length of stay, amounted to only about 12 per cent of the 1936–7 figure, and in terms of foreign exchange earnings the comparative value was considerably less.

The ERP planners recognized the vital importance of the

Industrial Production Index - Comparison of Averages for October (monthly average 1937 = 100) 433

	1951	1950	1949
Total Index of Production	180.3	145.4	122.8
Production Goods	230.7	178.6	151.6
Consumption Goods	138.8	117.3	98.3
Total Index of Productivity	105.7	91.8	82.1

Although agriculture and forestry showed some results production was lagging behind due to many soil-improvement measures which were neglected during the war. It remained behind the prewar level. Further investments are now being made in this field. Considerable increase can be seen in the traffic capacity of the Federal Railways. The extension of electrification, modernization of traffic installations, of rolling stock, and of railway stations are among the projects. [311] [497]

Tourist traffic is of special importance to achieving balance of payments. Tourist traffic was one of the most important foreign currency earners before 1937. In 1948-49, 31.6 per cent of the number of overnight guests for 1937 was reached. This proportion rose to 70.4 per cent in 1949-50 and to 74.3 per cent in the winter season of 1950-51. However, the income from foreign tourist traffic lagged behind that of the prewar period. It amounted to 15.1 million dollars in 1950. With regard to its purchasing power, it reached one-fifth of the 1937 level. In this field also investments for modernization and extension of enterprises are continuing. The aim is to reach a reasonable balance between investments and incomes from foreign currencies. Similarly motivated is the aim of opening areas of the country which might be very important for tourist traffic by building new roads and means of transport, such as cable cars and ski-lifts. In the investment program for 1950-52 net investments of 960 million schillings are provided for this sector alone. 457 [529]

The main vehicle for the balancing of payments is foreign trade.